

§ 98.64

will be reallocated to States in proportion to each State's allotment for the applicable fiscal year's funds, pursuant to § 98.61(b).

(ii) If the amount available for reallocation is less than \$25,000, the Secretary will not reallocate any funds, and such funds will revert to the Federal government.

(iii) If an individual reallocation award to a State is less than \$500, the Secretary will not issue the award, and such funds will revert to the Federal government.

(iv) If a State does not accept its share of the reallocated funds, those funds will be returned to the Federal government.

(3) If a State does not submit a reallocation report by the deadline for report submittal, either:

(i) The Secretary will determine that State does not have any funds available for reallocation; or

(ii) In the case of a report received after April 1st, any funds reported to be available for reallocation shall revert to the Federal government.

(b) States receiving reallocated funds must obligate and expend these funds in accordance with § 98.60. The reallocation of funds does not extend the obligation period or the program period for expenditure of such funds.

§ 98.64 Financial reporting.

(a) Beginning 90 days after the end of fiscal year 1992, and within 90 days after the end of each succeeding fiscal year, all Grantees must submit to the Secretary a Standard Form 269 or 269A, Financial Status Report, to report the status of each fiscal year's grant. Final reports for a fiscal year will be due after the end of the program period.

(b) The Secretary reserves the right to require financial reports less frequently than specified in paragraph (a) of this section.

(c) If a Grantee or subgrantee earns program income (e.g., contributions made by families directly to the Grantee or subgrantee for the cost of care, pursuant to § 98.42(a)), this income must be reported.

(d) Funds returned to a Grantee or subgrantee, pursuant to § 98.60(h), shall be reported as follows:

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(1) If the funds are returned before the close of the period covered by the financial report, they should be included as a net adjustment to total expenditures in the report; or

(2) If the funds are returned after submission of the final financial report, they should be reported on a revised report for the same period and be included as a net adjustment to total expenditures.

§ 98.65 Audits.

(a) Each Grantee must have an audit conducted after the close of each program period in accordance with OMB Circular A-128.

(b) Grantees are responsible for ensuring that subgrantees are audited in accordance with appropriate audit requirements.

(c) Not later than 30 days after the completion of the audit, Grantees must submit a copy of their audit report to the legislature of the State or, if applicable, to the Tribal Council(s). Grantees must also submit a copy of their audit report to the HHS Inspector General for Audit Services, as well as to their cognizant agency, if applicable.

(d) Any amounts determined through an audit not to have been expended in accordance with these statutory or regulatory provisions, or with the Plan, and which are subsequently disallowed by the Department shall be repaid to the Federal government, or the Secretary will offset such amounts against any other Block Grant funds to which the Grantee is or may be entitled.

(e) Grantees must provide access to appropriate books, documents, papers and records to allow the Secretary to verify that Block Grant funds have been expended in accordance with the statutory and regulatory requirements of the program, and with the Plan.

§ 98.66 Disallowance procedures.

(a) Any expenditures not made in accordance with the Act, the implementing regulations, or the Grantee's approved Plan, will be subject to disallowance.

(b) If the Department, as the result of an audit or a review, finds that expenditures by a Grantee should be disallowed, the Department will notify the Grantee of this decision in writing.